



STATE OF ILLINOIS

HEALTH FACILITIES AND SERVICES REVIEW BOARD

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DOCKET NO: H-01	BOARD MEETING: October 7, 2014	PROJECT NO: 14-028	PROJECT COST: Original:\$52,725,760
FACILITY NAME: Copley Memorial Hospital		CITY: Aurora	
TYPE OF PROJECT: Non - Substantive			HSA: VIII

PROJECT DESCRIPTION: The applicants (Copley Memorial Hospital, Inc., Rush-Copley Medical Center, Inc. and Rush University Medical Center) are proposing to modernize and expand the surgical suite, replace and expand PACU Recovery Phase I, modernize and expand surgical prep Phase II recovery stations, replace inpatient endoscopy, and modernize central sterile supply. In addition non clinical areas will also be modernized. The cost of the project is \$52,725,760. The anticipated project completion date is December 31, 2018.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION:

- The applicants (Copley Memorial Hospital, Inc., Rush-Copley Medical Center, Inc. and Rush University Medical Center) are proposing to modernize and expand the surgical suite, replace and expand PACU Recovery Phase I, modernize and expand surgical prep Phase II recovery stations, replace inpatient endoscopy, and modernize central sterile supply. The applicants are proposing to increase the number of operating rooms from 11 to 14 rooms, the number of Phase II recovery stations from 23 to 46. The number of Phase I recovery stations will remain at 14 stations. In addition non clinical areas will also be modernized.
- The cost of the project is \$52,725,760. The anticipated project completion date is December 31, 2018.

WHY THE PROJECT IS BEFORE THE STATE BOARD:

- This project is before the State Board because the project proposes to modernize a health care facility when the cost of the proposed project is in excess of the capital expenditure minimum of \$12,670,607 as defined by Illinois Health Facilities Planning Act (20 ILCS 3960(3)).

PURPOSE OF THE PROJECT:

- *According to the applicants the purpose of the project is “to improve Copley's ability to provide essential surgical and inpatient endoscopic services to all the patients it serves, including the uninsured and underinsured residents of Planning Area A-12, the State-defined planning area in which the hospital is located.”*

NEED FOR THE PROJECT:

- This project is a considered a necessary expansion and modernization of an existing health care facility's clinical services other than a category of service. Current State Board rules require the applicants to justify the modernization and expansion based upon the historical utilization of the existing clinical services (surgery, endoscopy, Recovery Phase I and II, and central sterile supply) to be modernized. The applicants' historical surgical hours (20,139 hours) justifies the need for the 14 operating rooms being requested by the applicants (20,139 hours /1,500 hours state standard = 14 operating rooms). The applicants' historical inpatient endoscopy hours (827 hours) justifies the one inpatient endoscopy room being proposed by the applicants. The State Board does not have utilization standards for the number of Phase I and Phase II recovery stations or central sterile supply.

PUBLIC COMMENT:

- An opportunity of a public hearing was provided, however no hearing was requested. No letters of support or opposition were received by the State Board Staff.

FINANCIAL:

- The applicants are funding the project with cash of \$16,225,760 and a bond issue of \$36,500,000. The applicants' FY 2013 audited financial statements indicate cash and cash equivalents of \$20,746,000. In addition the applicants provided documentation from Fitch and Standard and Poor's of "A+" and "A" for bonds issued by the Illinois Finance Authority on behalf of Rush University Medical Center Obligated Group. The Obligated Group consists of Rush University Medical Center (Rush University, Rush University Medical Center and Rush Oak Park Hospital) and Rush-Copley Medical Center (Copley Memorial Hospital, Inc.).

WHAT WE FOUND:

- The applicants have met all of the requirements of the State Board.

STATE BOARD STAFF REPORT
Copley Memorial Hospital
PROJECT #14-028

APPLICATION CHRONOLOGY	
Applicants(s)	Copley Memorial Hospital, Inc., Rush-Copley Medical Center, Inc. and Rush University Medical Center
Facility Name	Copley Memorial Hospital
Location	Aurora, Illinois
Application Received	July 7, 2014
Application Deemed Complete	July 7, 2014
Can applicants request a deferral?	Yes
Review Period Extended by the State Board Staff?	No

I. The Proposed Project

The applicants (Copley Memorial Hospital, Inc., Rush-Copley Medical Center, Inc. and Rush University Medical Center) are proposing to modernize and expand the surgical suite, replace and expand Recovery Phase I, modernize and expand surgical prep Phase II recovery stations, replace inpatient endoscopy, and modernize central sterile supply. The applicants are proposing to increase the number of operating rooms from 11 to 14 rooms, the number of Phase II recovery stations from 23 to 46. The number of Phase I recovery stations will remain unchanged at 14 stations. In addition non clinical areas will also be modernized. The cost of the project is \$52,725,760. The anticipated project completion date is December 31, 2018.

II. Summary of Findings

- A. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1110.
- B. The State Board Staff finds the proposed project appears to be in conformance with the provisions of Part 1120.

III. General Information

The applicants are Copley Memorial Hospital, Inc., Rush-Copley Medical Center Inc. and Rush University Medical Center. Copley Memorial Hospital, Inc. is a 210 bed not-for-profit acute care hospital in Aurora, Illinois. Copley Memorial Hospital operates as a wholly owned subsidiary of Rush-Copley Medical Center, Inc. Rush-Copley Medical Center Inc. is part of Rush University Medical Center Obligated Group. The Obligated Group also includes Rush University Medical Center. Rush University Medical Center is an academic medical center

comprising Rush University Hospital, Rush University, and Rush Oak Park Hospital.

Copley Memorial Hospital is located at 2000 Ogden Avenue, Aurora, Illinois in the HSA 8 Health Service Area and the A-12 Hospital Planning Area. HSA 8 consists of the Kane, Lake and McHenry Counties. The A-12 Hospital Planning Area includes Kendall County; Kane County Townships of Kaneville, Black Berry, Aurora, Big Rock, Sugar Grove, Batavia and Geneva. In addition there are several federally-designated Medically Underserved Areas in Planning Area A-12. There are two additional acute care hospitals in the A-12 Hospital Planning Area: Delnor Community Hospital – Geneva, and Presence Mercy Medical Center – Aurora.

The operating entity/licensee and the owner of the site is Copley Medical Hospital, Inc. The project is a non-substantive project and is subject to Part 1110 and Part 1120 review. Obligation will occur after permit issuance. **The anticipated project completion date is December 31, 2018.**

IV. The Proposed Project – Details

This project proposes to expand and modernize several departments at Copley Memorial Hospital. The proposed project proposes the following:

- Modernization and expansion of the Surgical Suite, including an increase of 3 general (multi-specialty) operating rooms;
- Replacement and expansion of the Post-Anesthesia Recovery Unit (PACU, Recovery Phase I);
- Modernization and expansion of Surgical Prep (for both AM. Admits and Same Day Surgery Patients) and Post-Anesthesia Recovery Phase II in both new construction and modernized space;
- Replacement of Inpatient Endoscopy in both new construction and modernized space;
- Modernization of Central Sterile Processing/Distribution in its existing space to add an elevator for case carts.

Also the project will modernize non clinical areas that include:

Conference Rooms, Storage Room for beds, Replacement Gift Shop, Replacement Chapel, Replacement and expansion of Entrances, Lobbies, Central Public Space, Interdepartmental Circulation Space, Elevator Shafts, Stairwells; Mechanical/Electrical/Data Shafts, and Mechanical/Electrical Space and Equipment, including a Mechanical Penthouse. The project will consist of the construction of an addition to the hospital and the modernization of space that is adjacent to the newly constructed addition and space that is vacated as a result of this project.

V. Project Costs and Sources of Funds

The proposed project is being funded with cash and securities of \$16,225,760 and a bond issue of \$36,500,000.

TABLE ONE			
Project Costs and Sources of Funds			
USE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Preplanning Costs	\$120,638	\$142,362	\$263,000
Site Survey and Soil Investigation	\$20,642	\$24,358	\$45,000
Site Preparation	\$297,706	\$351,314	\$649,020
Off Site Work	\$0	\$1,433,604	\$1,433,604
New Construction Contracts	\$6,999,467	\$14,016,545	\$21,016,012
Modernization Contracts	\$5,467,402	\$891,805	\$6,359,207
Contingencies	\$1,346,314	\$1,389,613	\$2,735,927
Architectural/Engineering Fees	\$1,058,911	\$1,249,594	\$2,308,505
Consulting and Other Fees	\$794,466	\$695,410	\$1,489,876
Movable or Other Equipment (not in construction contracts)	\$7,187,193	\$1,057,271	\$8,244,464
Bond Issuance Expense (project related)	\$408,564	\$482,136	\$890,700
Net Interest Expense During Construction (project related)	\$3,275,322	\$3,865,123	\$7,140,445
Fair Market Value of Leased Space or Equipment	\$0	\$0	\$0
Other Costs To Be Capitalized	\$82,380	\$67,620	\$150,000
Acquisition of Building or Other Property (excluding land)	\$0	\$0	\$0
TOTAL USES OF FUNDS	\$27,059,005	\$25,666,755	\$52,725,760
SOURCE OF FUNDS	CLINICAL	NONCLINICAL	TOTAL
Cash and Securities	\$10,316,455	\$5,909,305	\$16,225,760
Bond Issues (project related)	\$16,742,550	\$19,757,450	\$36,500,000
TOTAL SOURCES OF FUNDS	\$27,059,016	\$25,666,755	\$52,725,760

VI. Cost Space Requirement

The State Board asks applicants to provide the cost and the gross departmental square footage for each department/service being proposed by the project. For each department the existing, the proposed gross square footage the gross square footage that is new construction, modernized, remains as is and the amount of vacated space.

Below are the cost space requirements for the proposed project. Only the clinical space is being reviewed as part of this project. See page 67 of the application for permit that details the use of the vacated space.

TABLE TWO							
Costs Space Requirements							
		Gross Square Feet		Amount of Proposed Total Gross Square Feet That Is:			
Dept. / Area	Cost	Existing	Proposed	New Const.	Modernized	As Is	Vacated Space
CLINICAL							
Surgery	\$16,653,053	19,391	30,956	8,493	16,323	6,140	3,217
PACU Recovery Phase I	\$1,223,896	2,164	2,509	2,509	0	0	2,164
Surgical Prep/Post Anesthesia Phase II	\$8,404,422	9,807	16,355	5,598	10,757	0	3,095
Inpatient Endoscopy	\$727,474	425	671	462	209	0	425
Central Sterile Supply	\$50,160	5,924	5,924	0	144	5,780	0
Total Clinical	\$27,059,005	37,711	56,415	17,062	27,433	11,920	8,901
NON CLINICAL							
Conference Rooms	\$933,386	0	2,673	2,673	0	0	0
Storage Rooms	\$498,571	0	2,588	2,315	0	273	0
Volunteer Offices	\$645,881	544	0	0	0	0	544
Gift Shop	\$0	742	1,360	1,360	0	0	742
Chapel	\$398,533	273	952	952	0	0	273
Entrances, Lobbies, Public Space	\$14,683,016	7,264	14,489	11,861	2,628	0	4,003
Interdepartmental Circulation Space	\$995,409	0	3,232	3,232	0	0	0
Elevator Shafts	\$554,871	0	402	157	245	0	0
Stairwells	\$560,616	592	1,368	776	0	592	0
Mechanical/Electrical/Data Shafts	\$51,330	73	72	72	0	0	73
Mechanical/Electrical Space and Equipment	\$6,325,142	8,008	18,347	10,075	183	8,088	0
Total Non-clinical	\$25,666,755	17,576	45,483	33,474	3,056	8,953	5,635
TOTAL	\$52,725,760	55,287	101,898	50,536	30,489	20,873	14,536

VII. Section 1110.230 - Purpose of Project, Safety Net Impact Statement and Alternatives – Information Requirements

A) Criterion 1110.230(a) - Purpose of Project

The State Board asks all applicants to document the purpose of the proposed project, that the proposed project will provide care to residents of the market area, to identify the existing problems the proposed project will address, how the proposed project will address the problems identified, and the goals of the proposed project.

The purpose of the project is to improve Copley's ability to provide essential surgical and inpatient endoscopic services to all the patients it serves, including the uninsured and underinsured residents of Planning Area A-12, the State-defined planning area in which the hospital is located.

Copley's planning area is Planning Area A-12 which includes Kendall County and the following townships in Southern Kane County: Aurora, Batavia, Big Rock, Black Berry, Geneva, Kaneville, and Sugar Grove. Aurora, the city in which Copley is located, is the second largest city in Illinois, and it is located in Kane, DuPage, and Will Counties. Copley Memorial Hospital is located in Kane County, close to both DuPage and Will Counties. **Copley's market area** includes zip codes in Kane and Kendall Counties, as well as several zip codes in DuPage, Will, and DeKalb Counties.

The applicants state the following regarding the need for the project.

“This project is needed to modernize and expand existing surgical and inpatient endoscopic services for the patients who receive care at Copley. This project is needed to modernize and expand existing services for the increasing acuity levels of patients who undergo surgical procedures at Copley. This project is needed to modernize and expand existing services for those patients that receive care at Copley who are low-income and otherwise vulnerable, as documented by their residing in Health Professional Shortage Areas for Primary Medical Care. The population of Aurora Township in Kane County, together with the Comprehensive Health Center operated by the Visiting Nurse Association of Fox Valley and the Nandra Family Practice in Kendall County, all of which are part of Planning Area A-12, have been designated by the federal government as a Health Professional Shortage Areas. Health Professional Shortage Areas are designated by the federal government because they have a shortage of primary medical care providers.

This project is needed to modernize and expand existing services for those patients that receive care at Copley who are low-income and otherwise vulnerable, as documented by their residing in Medically Underserved Areas. There are several federally-designated Medically Underserved Areas in Planning Area A-12, as identified below. The designation of a Medically Underserved Area

(MUA) by the federal government is based upon the Index of Medical Underservice (IMU), which generates a score from 0 to 100 for each service area (0 being complete under service and 100 being best served), with each service area with an IMU of 62.0 or less qualifying for designation as an MUA. The IMU involves four weighted variables (ratio of primary medical care physicians per 1,000 population, infant mortality rate, percentage of the population with incomes below the poverty level, and percentage of the population aged 65 or over). The federal government has designated the following Medically Underserved Areas {MUAs} in Planning Area A-12.

- 9 census tracts in Aurora are designated as the Inner City Aurora Service Area Medically Underserved Area
- 1 census tract is designated as the Kane Service Area”

B) Safety Net Impact Statement – Information Requirements

A safety net impact statement is not required for this application because the proposed project is a non-substantive project.

20 ILCS 3960 5.4(a) states “General review criteria shall include a requirement that all health care facilities, with the exception of skilled and intermediate long-term care facilities licensed under the Nursing Home Care Act, provide a Safety Net Impact Statement, which shall be filed with an application for a substantive project or when the application proposes to discontinue a category of service.”

A substantive project is defined at 20 ILCS 3960/12 (8)

(a) Projects to construct (1) a new or replacement facility located on a new site or (2) a replacement facility located on the same site as the original facility and the cost of the replacement facility exceeds the capital expenditure minimum, which shall be reviewed by the Board within 120 days; (b) Projects proposing a (1) new service within an existing healthcare facility or (2) discontinuation of a service within an existing healthcare facility, which shall be reviewed by the Board within 60 days; or (c) Projects proposing a change in the bed capacity of a health care facility by an increase in the total number of beds or by a redistribution of beds among various categories of service or by a relocation of beds from one physical facility or site to another by more than 20 beds or more than 10% of total bed capacity, as defined by the State Board, whichever is less, over a 2-year period.

The applicants provided charity care information for the prior three fiscal years as required.

TABLE THREE			
Charity Cost for FY 2011-FY 2013			
	FY 2011	FY 2012	FY 2013
Net Patient Revenue	\$271,003,413	\$287,858,768	\$307,415,001
Amount of Charity Care	\$25,332,744	\$45,804,375	\$42,058,980
Cost of Charity Care	\$5,054,544	\$8,807,986	\$7,472,926

Ratio of Charity Care to Net Patient Revenue (charges)	9.35%	15.91%	13.68%
Ratio of Charity Care to Net Patient Revenue (costs)	1.87%	3.06%	2.43%

Criterion 1110.230(c) - Alternatives

The following alternatives to the proposed project were considered and found to be infeasible. The applicants stated the following regarding the alternatives considered to the proposed project.

A. Modernize the services included in this project in a project of lesser scope by adding 1 or 2 new operating rooms within the hospital's existing footprint, but not replacing or expanding the other Clinical Service Areas included in this project. Capital Costs: \$9,727,776 using Cash and Securities

This alternative was considered to be infeasible for the following reasons.

- 1) *Implementation of this alternative would permit Copley Memorial Hospital (Copley) to fulfill only a portion of one of the several intended purposes of the proposed project. This project is designed to correct a number of deficiencies, including those caused by an inadequate number of key rooms in the Clinical Service Areas as well as the inadequate space and undesirable configuration of these existing services. This alternative would permit the construction of 1 or 2 additional operating rooms, rather than the 3 proposed in this project, and it would exclude nearly all of the proposed expansion or modification of support space in the Surgery Suite as well as the expansion of the PACU and Surgical Prep/Phase II Recovery.*
- 2) *Implementation of this alternative would include the renovation of the main hospital entrance in order to permit the new operating rooms to be constructed. The specific deficiencies of the Clinical Service Areas included in this project, which justify the modernization and expansion of these services, are discussed in Attachment 34 of this application. Implementation of this alternative would not permit Copley to add 3 operating rooms, which are necessary to accommodate the hospital's current surgical workload and are justified by the Illinois CON standards. In addition, the hospital's surgical capacity would be limited if it did not have an appropriate number of operating rooms when this project is completed, as a result of which Copley's ability to recruit new physicians would be limited. That would be an undesirable result, especially since Copley is located in a planning area with an increasing population that is aging. Its market area is also projected to experience increased population growth and a significant increase in the population aged 65 and older by 2018.*
- 3) *Implementation of this alternative would prevent Copley from increasing the size of its undersized operating rooms.*

- 4) *Implementation of this alternative would not permit Copley to increase the size of its Phase II Recovery Unit in order to provide the required number of recovery stations for 12 or 13 operating rooms.*
 - 5) *Implementation of this alternative would prevent Copley from addressing its current deficiencies according to Life Safety Code 101 and Illinois Hospital Licensing Requirements, including inadequate storage space and the inadequate number of Phase II Recovery stations. It would be financially imprudent for Copley to undertake a project that would only partially correct the deficiencies that currently exist in these services.*
- B. Modernize and expand the services included in this project by constructing a larger addition in order to accommodate all surgical functions on the 1st floor of the hospital, rather than constructing some of the support functions on the hospital's lower level. Capital Costs: \$73,701,145, including a \$36.5 Million Bond Issue**
- This alternative was considered to be infeasible for the following reasons.**
- 1) *Implementation of this alternative was determined to be financially imprudent because its cost exceeds the amount necessary to meet Copley's programmatic needs.*
 - 2) *Implementation of this alternative would require construction of excessive circulation space for the main hospital corridor on the first floor, which would have unnecessary construction costs.*
 - 3) *The size of the addition proposed in this alternative would be so large that the hospital's main entrance would be located too far from the existing elevator system.*
 - 4) *Implementation of this alternative would necessitate constructing the hospital addition on campus land that is needed for parking, as a result of which there would be inadequate space available for needed parking.*

VIII. Section 1110.234 - Project Scope and Size, Utilization and Unfinished/Shell Space

A) Criterion 1110.234 (a) - Size of Project

To address this criterion the applicant must provide the departmental or gross square feet for each service/department that the State Board has established standards as published at 77 IAC 1110 Appendix B.

The project includes the following Clinical Service Areas Other than Categories of Service, Surgery, Post-Anesthesia Recovery Unit (PACU, Recovery Phase I), Surgical Prep (for both A.M. Admits and Same-Day Surgery Patients) and Post-Anesthesia Recovery Phase II, Endoscopy - Inpatients only, and Central Sterile Processing/Distribution. As can be seen by the table below the applicants have met the departmental gross square standards for all of the proposed clinical service areas. **See pages 94-103 of the application for permit.**

TABLE FOUR Size of Project				
Clinical Service Area Department/Service	Proposed Rooms/Stations	State Board Guidelines		Proposed DGSF
		Per Unit	Total DGSF	
Surgery ⁽¹⁾	14 rooms	2,750 DGSF per OR	38,500	30,956
Recovery Phase I	14 stations	180 DGSF per Station	2,520	2,509
Recovery Phase II	46 stations	400 DGSF per station	18,400	16,355
Inpatient Endoscopy	1 room	1,100 DGSF per procedure room	1,100	671
1. The 14 proposed operating rooms include 1 dedicated Cardiovascular Room, 1 Cystoscopy Room, and 12 General [multi-specialty] Rooms)				

**THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE
IN CONFORMANCE WITH CRITERION SIZE OF PROJECT (77 IAC
1110.234 (a))**

B) Criterion 1110.234 (b) - Project Services Utilization – Review Criterion

To address this criterion the applicant must provide the projected utilization by the second year after project completion for all department/services in which the State Board has established utilization standards as published at 77 IAC 1110 Appendix B.

The proposed project includes two clinical service areas in which the State Board has utilization standards, surgery and inpatient endoscopy. The applicants' historical and projected utilization justifies the number of rooms being requested by the applicants. See pages 104-108 of the application for permit.

TABLE FIVE Projected Services Utilization							
Department/Service	Rooms	State Board Standard	Historical		Projected		Met Standard?
			CY 2012	CY 2013	FY 2018	FY 2019	
Surgery	14 Operating Rooms	1,500 Hours per room	19,857	20,139	20,840	20,995	Yes
Inpatient Endoscopy	1 Room	1,500 Hours per room	898	827	856	862	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION PROJECT SERVICE UTILIZATION (77 IAC 1110.234(b))

C) Criterion 1110.234 (e) - Assurances

The applicants have attested that by the second year after project completion the proposed clinical services will be at the State Board's target utilization. See page 109 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT TO BE IN CONFORMANCE WITH CRITERION ASSURANCES (77 IAC 1110.234 (e))

IX. Section 1110.3030 – Clinical Service Areas Other Than Categories of Service Review Criteria

PROJECT TYPE	REQUIRED REVIEW CRITERIA		
Service Modernization	(b)(1) & (3)	–	Background of the Applicant
	(d)(1)	–	Deteriorated Facilities and/or
	(d)(2)	–	Necessary Expansion PLUS
	(d)(3)(A)	–	Utilization – Major Medical Equipment or
	(d)(3)(B)	–	Utilization – Service or Facility

A) Criterion 1110.3030 (b) - Background of Applicant

To comply with this criterion the applicant must provide a list of all facilities owned by the applicant, a certified listing of any adverse action taken against any facility owned and/or operated by applicant during the three years prior to the filing of the application, and authorization permitting HFSRB and IDPH access to documents necessary to verify the information submitted, including, but not limited to: official records of DPH or other State agencies; the licensing or certification records of other States; when applicable; and the records of nationally recognized accreditation organizations.

The applicants have provided all of the necessary documentation to successfully address this criterion. See pages 68-74 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT IS IN CONFORMANCE WITH CRITERION BACKGROUND OF APPLICANT (77 IAC 1110.3030(b))

B) Criterion 1110.3030 (d) - Service Modernization

The applicant shall document that the proposed project meets the following:

Necessary Expansion

The proposed project is necessary to provide expansion for diagnostic treatment, ancillary training or other support services to meet the requirements of patient service demand. Documentation shall consist of, but is not limited to: historical utilization data, evidence of changes in industry standards, changes in the scope of services offered, and licensure or fire code deficiency citations involving the proposed project. See page 110-130 of the application for permit for complete discussion.

The applicants stated the following regarding the need to expand surgery, inpatient endoscopy, Phase I and Phase II recovery and central sterile supply.

1. Surgery Suite

The applicants state the expansion of the Surgery Suite is necessary because Copley currently has too few operating rooms to accommodate the hospital's surgical utilization. Copley currently has a total of 11 operating rooms, which are too few operating rooms to accommodate the historic surgical volume. Copley's surgical cases increased from 2012 to 2013. Copley's average surgical hours per case decreased slightly during the two most recent calendar years, decreasing from 2.21 hours per case in 2012 to 2.14 hours per case in 2013. Copley's surgical hours during 2012 and 2013 justified 14 operating rooms being requested by the applicants.

Copley's surgical utilization is projected to continue increasing in the future based on the following factors. Total surgical cases at Copley are projected to increase by 3.5% by FY2018, the first complete year of operation after the expansion of the Surgical Suite is completed. This increase in surgical cases is expected to be due to the projected increase in population in both Planning Area A-12 and Copley's market area from CY2013 to CY2018, based on Nielsen population projections. The most recent "Inventory of Health Care Facilities and Services" issued by the Illinois Health Facilities and Services Review Board and the "Illinois Department of Public Health (August 14, 2013) projected a 3.5% increase in the total population of Planning Area A-12 from 2010 to 2015. The population in the market area is expected to increase by a total of 3.9% from 2013 to 2018 (an increase of 13,871 people) with an increase of 21.3% in the population aged 65 and older. Total surgical cases at Copley are projected to increase by an additional increase of 0.7% from FY2018 to FY2019 the second complete year of operation after the expansion of the Surgical Suite is completed.

This increase in surgical cases is projected based upon extrapolating and annualizing the projected increase in population in the planning area. Copley's total surgical hours are projected to remain constant at 2.1436 hours per case, the average time per surgical case that was experienced in CY2013. As a result, the total surgical hours at Copley are projected to increase by 3.5% by FY2018, the first complete year of operation after the expansion of the Surgical Suite is completed. The increased surgical hours will be due to the increased number of surgical cases while maintaining the same surgical time as experienced in CY2013.

Eight of the 11 existing operating rooms are too small, having between 388 and 447 square feet. There are no physician workstations outside the operating rooms. This deficiency slows the turnaround in operating rooms because physicians have to do their charting in the operating rooms. The holding area currently has 4 open bays with cubicle curtains, which does not provide privacy for patients and their families. There is a shortage of sterile supply storage space in the Surgical Suite. The Surgical Suite has inadequate equipment storage space, which is a deficiency that has been noted in Illinois Department of Public Health ("IDPH") surveys. The Surgical Suite has inadequate stretcher and equipment alcove space. The Surgical Suite has inadequate staff support space. The staff locker rooms and lounge facilities were originally designed for a Surgical Suite with 8 operating rooms, and they were only modestly expanded when the Surgical Suite was increased from 8 to 11 operating rooms. The storage space needs to be located near the operating rooms where the equipment will be used. The case cart elevator is too small, which creates a bottleneck for materials transported from the Central Sterile Processing Distribution Department that is located on the hospital's lower level.

2. Post-Anesthesia Recovery Unit (PACU, Recovery Phase I)

This project proposes to replace Copley's existing PACU and replace it with a new PACU. The number of stations in the PACU needs to be increased to meet Illinois Hospital Licensing Requirements for the expanded Surgical Suite, which will have 14 operating rooms. The minimum number of PACU stations as well as the contiguity of the Surgical Suite and the PACU is mandated under Illinois Hospital Licensing Requirements. The PACU has inadequate workstations. There are currently 2 workstations, but 4 to 6 workstations are required. There is no designated physician workspace in the PACU. The PACU currently has a shortage of equipment storage space, which is noted in IDPH surveys. The PACU currently has a shortage of supply storage space.

3. Surgical Prep (for both AM. Admission of Surgical Inpatients and Same Day Surgical Patients) and Post-Anesthesia Recovery Phase II

The current Stage II Recovery Department does not meet state licensing requirements because it has only 23 stations, 6 of which are designed for chairs which limit the flexibility of placing patients in appropriate settings. It was determined to provide appropriately sized and configured facilities for surgical patients arriving at the hospital on the morning of surgery who will either undergo ambulatory surgery and be discharged to their homes or be admitted to the hospital subsequent to surgery within the same department as Stage Recovery. It was also determined that this department will serve as a Vascular Care Unit, providing post-procedure recovery stations for Cardiac Catheterization patients. There is no designated physician workspace. There is a shortage of equipment storage space, which has been noted in IDPH surveys. There is a lack of bed and equipment storage alcove space. There is a shortage of sterile supply storage space. There needs to be adequate space in the new Surgical Prep/Stage II Recovery Department to accommodate the following functions.

1) Pre-surgical preparation and holding for ambulatory surgical patients and AM. surgical admissions. AM surgical admissions are surgical patients who arrive at the hospital the morning of surgery and are admitted as inpatients. They receive the same pre-operative care as ambulatory surgical patients and are admitted to an inpatient bed after surgery and their discharge from the PACU.

2) Stage II Recovery for ambulatory surgical patients.

Adequate space consisting of an appropriate number of patient bays sized and configured for this function as well as all required support space is required in order to meet the Illinois Hospital Licensing Requirements. .

3) The patient bays will be used for both pre-operative and post-surgical patients, and there must be a sufficient number of patient bays to accommodate patients both before surgery and after their stay in the PACU.

4) Post-procedure recovery care will be provided in this department for Cardiac Catheterization patients.

5) Ambulatory surgery patients require varying lengths of time for Stage II recovery before they are discharged to their homes, and there must be an adequate number of patient bays to permit patients to stay in this department as long as necessary before discharge.

4. Endoscopy

Copley has separate Endoscopy (GI Lab) facilities for inpatients and outpatients. The Outpatient Endoscopy Suite is located in a Professional Office Building that is not licensed to provide inpatient care. As a result, Copley must operate a dedicated Endoscopy Procedure Room. Inpatient endoscopy cases have remained relatively constant in number and in hours per case in recent years, with a slight decline from CY2012 to CY2013. Copley's inpatient endoscopy hours during 2012 and 2013 hours justified 1 inpatient endoscopic procedure room based upon the Illinois CON State Board Guidelines. Copley's inpatient endoscopy utilization is projected to increase slightly in the future based on the projected increase in population and in the aging of the population in its market area. Total inpatient endoscopy cases at Copley are projected to increase by 3.5% by FY2018, the first complete year of operation after the replacement of the Inpatient Endoscopy Procedure Room is completed. This increase in inpatient endoscopy cases is expected to be due to the projected increase in population in both Planning Area A-12 and Copley's market area from CY2013 to CY2018, based on Nielsen population projections. This review revealed that the population in the market area is expected to increase by a total of 3.9% from 2013 to 2018 (an increase of 13,871 people) with an increase of 21.3% in the population aged 65 and older. Total inpatient endoscopy cases at Copley are projected to increase by an additional increase of 0.7% from FY2018 to FY2019, the second complete year of operation after the replacement of the inpatient Endoscopy Procedure Room is completed. This increase in inpatient endoscopy cases is projected based upon extrapolating and annualizing the projected increase in population in the planning area/market area from CY2013 to CY2018 to the second full fiscal year of operation, FY2019. Copley's inpatient endoscopy hours are projected to remain constant at 0.965 hours per inpatient endoscopy case in FY2018 and FY2019.

5. Central Sterile Processing/Distribution

Central Sterile Processing/Distribution needs to be modernized in order to increase the size of the case cart elevator that operates between the Central Sterile Department on the hospital's lower level and the Surgical Suite on the hospital's 1st floor. The current case cart elevator shaft is too small, which creates a bottleneck for materials transported between the two departments. A case cart system is advantageous for the following reasons.

- a. It increases the efficiency of the surgical supply distribution system because the supplies and surgical instruments for each surgical case are prepared in advance and placed in a case cart where they are brought into the operating room during the set-up for that operation.
- b. The use of a case cart system facilitates the flow of both clean and soiled surgical instruments. When a case cart system is used, the surgical instruments and supplies for each case are assembled in advance and taken to the Surgical Department in a closed, sterile container. Since the Central Sterile Processing/Distribution Department is located on the hospital's lower level and

the Surgical Suite is located on the 1st floor, an elevator must be installed to transport the case carts between the two floors.

The applicants' historical utilization justifies the number of rooms being proposed for surgery, and inpatient endoscopy. See table below.

TABLE SIX							
Projected Services Utilization							
	Proposed Rooms	State Board Standard	Historical		Projected		Met Standard?
			CY 2012	CY 2013	FY 2018	FY 2019	
Surgery	14 Operating Rooms	1,500 Hours per room	19,857	20,139	20,840	20,995	Yes
Inpatient Endoscopy	1 Room	1,500 Hours per room	898	827	856	862	Yes

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION MODERNIZATION OF CLINICAL SERVICE AREAS OTHER THAN CATEGORIES OF SERVICE (77 IAC 1110.3030(d)(2))

FINANCE

X. Section 1120.120 - Availability of Funds

The applicant shall document that financial resources shall be available and be equal to or exceed the estimated total project cost plus any related project costs

The applicants are funding the project with cash of \$16,225,760 and a bond issue of \$36,500,000. The applicants' FY 2013 audited financial statements indicate cash and cash equivalents of \$20,746,000. In addition the applicants provided documentation from Fitch and Standard and Poor's of "A+" and "A" for bonds issued by the Illinois Finance Authority on behalf of Rush University Medical Center Obligated Group. The Obligated Group consists of Rush University Medical Center (Rush University, Rush University Medical Center and Rush Oak Park Hospital) and Rush-Copley Medical Center (Copley Memorial Hospital, Inc.). See page 132-144 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION AVAILABILITY OF FUNDS (77 IAC 1120.120)

XI. Section 1120.130 - Financial Viability Waiver

The applicants have qualified for the financial waiver as they have provided evidence of an "A" or better bond rating at pages 130-144 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION FINANCIAL VIABILITY (77 IAC 1120.130)

XII. Section 1120.140 - Economic Feasibility

A) Criterion 1120.140 (a) - Reasonableness of Financing Arrangements

The applicant shall document the reasonableness of financing arrangements.

B) Criterion 1120.140 (b) - Conditions of Debt Financing

The applicant shall document that the conditions of debt financing are reasonable.

The applicants have estimated a tax exempt bond issue of between 20 and 30 years and with an interest rate of approximately 6%. In addition the applicants have attested to the following:

"This project will be financed through the use of both tax exempt revenue bonds and cash and securities;

The selected form of debt financing for this project will be tax exempt revenue bonds issued through the Illinois Finance Authority;

The selected form of debt financing for this project will be at the lowest net cost available to the co-applicants.” See page 146 of the application for permit.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION REASONABLENESS OF FINANCING ARRANGEMENTS AND TERMS OF DEBT FINANCING (77 IAC 120.140 (a) 77 IAC 1120.140 (b))

- C) Criterion 1120.140 (c) - Reasonableness of Project and Related Costs**
The applicant shall document that the estimated project costs are reasonable and shall document compliance with the following:

Only clinical costs are being reviewed. A complete itemization of these costs can be found at pages 44-65 of the application for permit.

Preplanning Costs – These costs are \$120,638 and are less than 1% of the new construction, modernization, contingency and movable equipment costs. This appears reasonable when compared to the State Board Standard of 1.8%.

Site Survey and Site Preparation – These costs are \$318,348 or 2.3% of the construction, modernization and contingency costs. This appears reasonable when compared to the State Board Standard of 5%.

New Construction and Proportionate Share of Contingency Costs – These costs are \$7,753,403 or \$454.43. This appears reasonable when compared to the State Board Standard of \$665.63

Modernization and Proportionate Share of Contingency Costs – These costs are \$6,059,780 or \$220.89. This appears reasonable when compared to the State Board Standard of \$480.54.

Architectural and Engineering Fees – These costs are \$1,058,911 or 7.67% of new construction, modernization and contingency costs. This appears reasonable when compared to the State Board standard of 6.00-9.02%.

Consulting and Other Fees – These costs are \$794,466. The State Board does not have standards for these costs.

Movable or other Equipment – These costs are \$7,187,193. The State Board does not have a standard for these costs for hospital based projects.

Bond Issuance Expense – These costs are \$408,564. The State Board does not have a standard for these costs.

Net Interest Expense During Construction – These costs are \$3,275,322. The State Board does not have a standard for these costs.

Other Costs to be Capitalized – These costs are \$82,380. The State Board does not have a standard for these costs. These costs include cleaning, floor finish and moving expenses.

D) Criterion 1120.140 (d) - Projected Operating Costs

The applicant shall provide the projected direct annual operating costs (in current dollars per equivalent patient day or unit of service) for the first full fiscal year at target utilization but no more than two years following project completion. Direct costs mean the fully allocated costs of salaries, benefits and supplies for the service.

The projected operating costs per equivalent patient day are \$1,984.43. This appears reasonable when compared to previously approved hospital projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION PROJECTED OPERATING COSTS (77 IAC 1120.140(d))

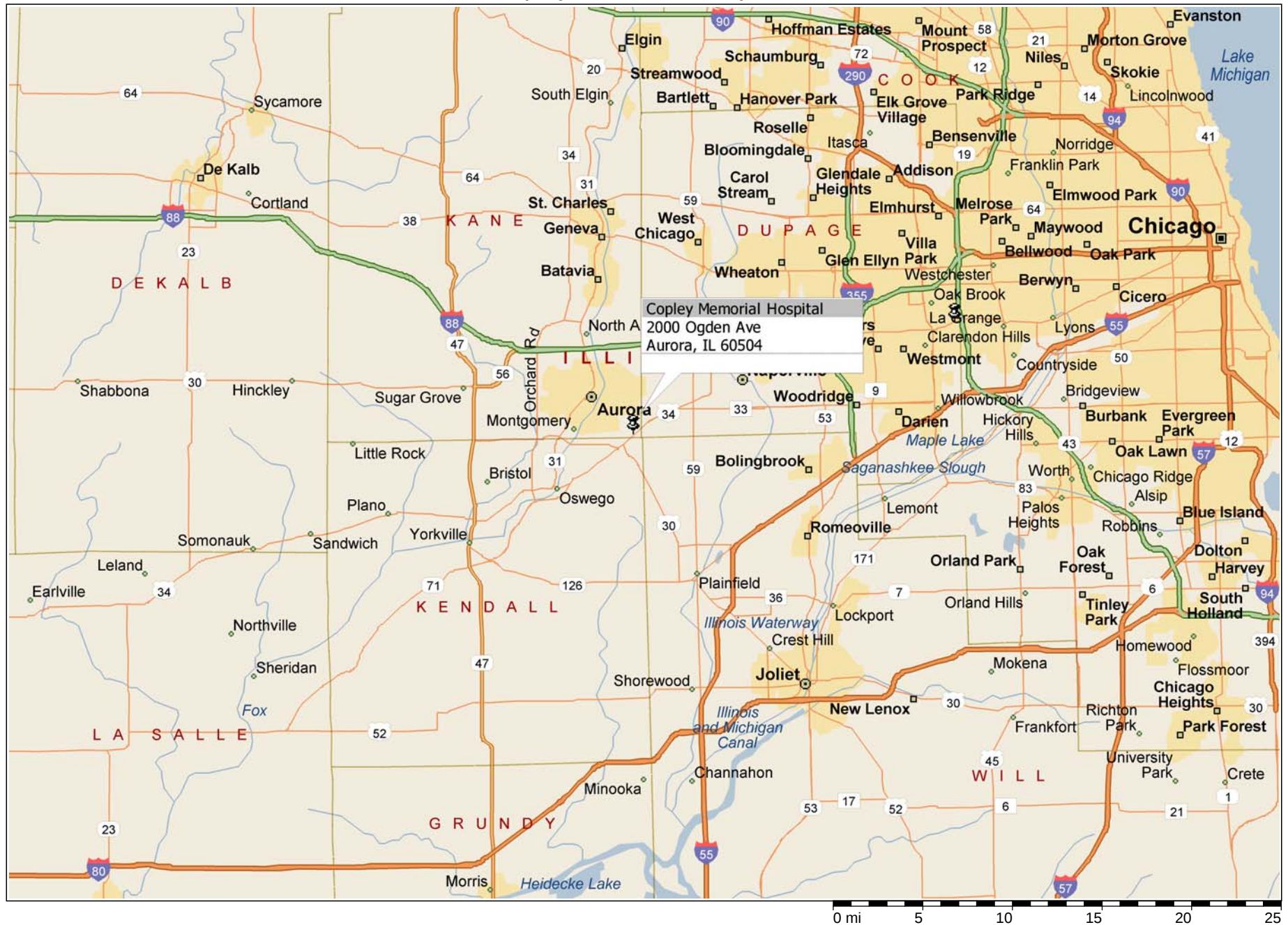
E) Criterion 1120.140 (e) - Total Effect of the Project on Capital Costs

The applicant shall provide the total projected annual capital costs (in current dollars per equivalent patient day) for the first full fiscal year at target utilization but no more than two years following project completion

The projected capital costs per equivalent patient day are \$336.12. This appears reasonable when compared to previously approved hospital projects.

THE STATE BOARD STAFF FINDS THE PROPOSED PROJECT APPEARS TO BE IN CONFORMANCE WITH CRITERION TOTAL EFFECT OF THE PROJECT ON CAPITAL COSTS (77 IAC 1120.140 (e)).

14-028 Copley Memorial Hospital - Aurora



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<u>Ownership, Management and General Information</u>				<u>Patients by Race</u>		<u>Patients by Ethnicity</u>	
ADMINISTRATOR NAME:	Barry C. Finn			White	85.5%	Hispanic or Latino:	22.0%
ADMINSTRATOR PHONE	(630)978-4977			Black	9.6%	Not Hispanic or Latino:	76.1%
OWNERSHIP:	Rush-Copley Medical Center			American Indian	0.3%	Unknown:	1.9%
OPERATOR:	Rush-Copley Medical Center			Asian	2.6%		
MANAGEMENT:	Not for Profit Corporation (Not Church-R			Hawaiian/ Pacific	0.0%	IDPH Number:	4671
CERTIFICATION:				Unknown	1.9%	HPA	A-12
FACILITY DESIGNATION:	General Hospital					HSA	8
ADDRESS	2000 Ogden Avenue	CITY: Aurora	COUNTY: Kane County				

<u>Facility Utilization Data by Category of Service</u>										
<u>Clinical Service</u>	Authorized CON Beds 12/31/2013	Peak Beds Setup and Staffed	Peak Census	Admissions	Inpatient Days	Observation Days	Average Length of Stay	Average Daily Census	CON Occupancy Rate %	Staffed Bed Occupancy Rate %
Medical/Surgical	123	123	118	7,354	30,053	8,129	5.2	104.6	85.0	85.0
0-14 Years				168	487					
15-44 Years				1,429	5,129					
45-64 Years				2,396	9,701					
65-74 Years				1,475	6,357					
75 Years +				1,886	8,379					
Pediatric	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Intensive Care	22	22	21	1,567	4,635	26	3.0	12.8	58.0	58.0
Direct Admission				852	2,290					
Transfers				715	2,345					
Obstetric/Gynecology	34	34	30	3,448	7,037	208	2.1	19.8	58.4	58.4
Maternity				3,448	7,037					
Clean Gynecology				0	0					
Neonatal	13	13	12	274	2,828	0	10.3	7.7	59.6	59.6
Long Term Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Swing Beds			0	0	0		0.0	0.0		
Acute Mental Illness	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Rehabilitation	18	18	18	320	3,760	0	11.8	10.3	57.2	57.2
Long-Term Acute Care	0	0	0	0	0	0	0.0	0.0	0.0	0.0
Dedicated Observation	0					0				
Facility Utilization	210			12,248	48,313	8,363	4.6	155.3	73.9	

(Includes ICU Direct Admissions Only)

<u>Inpatients and Outpatients Served by Payor Source</u>							
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Charity Care	Totals
Inpatients	31.6%	18.6%	0.2%	44.1%	2.0%	3.6%	
	3868	2276	27	5400	241	436	12,248
Outpatients	17.9%	24.3%	0.3%	48.7%	7.6%	1.1%	
	33485	45400	648	91045	14162	2101	186,841
<u>Financial Year Reported:</u>	7/1/2012 to	6/30/2013	<u>Inpatient and Outpatient Net Revenue by Payor Source</u>				
	Medicare	Medicaid	Other Public	Private Insurance	Private Pay	Totals	Charity Care Expense
Inpatient Revenue (\$)	29.7%	18.6%	0.5%	51.2%	0.0%	100.0%	
	43,077,269	26,884,851	683,415	74,192,960	47,155	144,885,650	4,269,319
Outpatient Revenue (\$)	16.7%	3.7%	1.7%	74.9%	3.0%	100.0%	
	27,132,791	6,061,467	2,684,706	121,810,165	4,840,222	162,529,351	3,203,607
							Total Charity Care Expense 7,472,926
							Total Charity Care as % of Net Revenue 2.4%

<u>Birthing Data</u>		<u>Newborn Nursery Utilization</u>				<u>Organ Transplantation</u>	
Number of Total Births:	3,366		Level I	Level II	Level II+	Kidney:	0
Number of Live Births:	3,350	Beds	43	14	0	Heart:	0
Birthing Rooms:	0	Patient Days	6,630	2,601	0	Lung:	0
Labor Rooms:	0	Total Newborn Patient Days			9,231	Heart/Lung:	0
Delivery Rooms:	0					Pancreas:	0
Labor-Delivery-Recovery Rooms:	12		<u>Laboratory Studies</u>			Liver:	0
Labor-Delivery-Recovery-Postpartum Rooms:	0	Inpatient Studies			282,699	Total:	0
C-Section Rooms:	2	Outpatient Studies			391,277		
CSections Performed:	1,132	Studies Performed Under Contract			39,178		

Surgery and Operating Room Utilization

<u>Surgical Specialty</u>	<u>Operating Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Cardiovascular	0	0	1	1	101	0	677	0	677	6.7	0.0
Dermatology	0	0	0	0	0	0	0	0	0	0.0	0.0
General	0	0	9	9	1370	2211	3304	3731	7035	2.4	1.7
Gastroenterology	0	0	0	0	0	0	0	0	0	0.0	0.0
Neurology	0	0	0	0	350	283	1400	773	2173	4.0	2.7
OB/Gynecology	0	0	0	0	374	906	1131	1544	2675	3.0	1.7
Oral/Maxillofacial	0	0	0	0	0	0	0	0	0	0.0	0.0
Ophthalmology	0	0	0	0	14	457	30	581	611	2.1	1.3
Orthopedic	0	0	0	0	776	841	2167	1932	4099	2.8	2.3
Otolaryngology	0	0	0	0	94	997	185	1437	1622	2.0	1.4
Plastic Surgery	0	0	0	0	11	174	21	362	383	1.9	2.1
Podiatry	0	0	0	0	0	0	0	0	0	0.0	0.0
Thoracic	0	0	0	0	68	9	203	24	227	3.0	2.7
Urology	0	0	1	1	144	215	275	362	637	1.9	1.7
Totals	0	0	11	11	3302	6093	9393	10746	20139	2.8	1.8
<u>SURGICAL RECOVERY STATIONS</u>			Stage 1 Recovery Stations		14		Stage 2 Recovery Stations		23		

Dedicated and Non-Dedicated Procedure Room Utilization

<u>Procedure Type</u>	<u>Procedure Rooms</u>				<u>Surgical Cases</u>		<u>Surgical Hours</u>			<u>Hours per Case</u>	
	Inpatient	Outpatient	Combined	Total	Inpatient	Outpatient	Inpatient	Outpatient	Total Hours	Inpatient	Outpatient
Gastrointestinal	1	3	0	4	857	2860	827	2548	3375	1.0	0.9
Laser Eye Procedures	0	0	0	0	0	0	0	0	0	0.0	0.0
Pain Management	0	1	0	1	0	1055	0	633	633	0.0	0.6
Cystoscopy	0	0	0	0	0	0	0	0	0	0.0	0.0
<u>Multipurpose Non-Dedicated Rooms</u>											
C-Section	0	0	2	2	1157	0	1972	0	1972	1.7	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0
	0	0	0	0	0	0	0	0	0	0.0	0.0

Emergency/Trauma Care

Certified Trauma Center	Yes
Level of Trauma Service	Level 1
	(Not Answered)
Operating Rooms Dedicated for Trauma Care	Adult
Number of Trauma Visits:	0
Patients Admitted from Trauma	576
Emergency Service Type:	332
Number of Emergency Room Stations	Comprehensive
Persons Treated by Emergency Services:	30
Patients Admitted from Emergency:	60,205
Total ED Visits (Emergency+Trauma):	5,569
	60,781

Free-Standing Emergency Center

Beds in Free-Standing Centers	5
Patient Visits in Free-Standing Centers	10,368
Hospital Admissions from Free-Standing Center	285

Outpatient Service Data

Total Outpatient Visits	216,458
Outpatient Visits at the Hospital/ Campus:	162,547
Outpatient Visits Offsite/off campus	53,911

Cardiac Catheterization Labs

Total Cath Labs (Dedicated+Nondedicated labs):	3
Cath Labs used for Angiography procedures	2
Dedicated Diagnostic Catheterization Lab	0
Dedicated Interventional Catheterization Labs	0
Dedicated EP Catheterization Labs	0

Cardiac Catheterization Utilization

Total Cardiac Cath Procedures:	1,648
Diagnostic Catheterizations (0-14)	0
Diagnostic Catheterizations (15+)	925
Interventional Catheterizations (0-14):	0
Interventional Catheterization (15+)	304
EP Catheterizations (15+)	419

Cardiac Surgery Data

Total Cardiac Surgery Cases:	101
Pediatric (0 - 14 Years):	0
Adult (15 Years and Older):	101
Coronary Artery Bypass Grafts (CABGs) performed of total Cardiac Cases :	78

Diagnostic/Interventional Equipment**Examinations****Therapeutic Equipment****Therapies/ Treatments**

	<u>Owned Contract</u>		<u>Inpatient Outpt</u>		<u>Contract</u>		<u>Owned Contract</u>		
General Radiography/Fluoroscopy	19	0	14,629	39,244	0	Lithotripsy	0	0	0
Nuclear Medicine	2	0	657	2,261	0	Linear Accelerator	1	0	7,380
Mammography	7	0	4	15,572	0	Image Guided Rad Therapy			2,431
Ultrasound	20	0	6,471	32,810	0	Intensity Modulated Rad Thrp			1,586
Angiography	2	0				High Dose Brachytherapy	1	0	357
Diagnostic Angiography			161	269	0	Proton Beam Therapy	0	0	0
Interventional Angiography			954	407	0	Gamma Knife	0	0	0
Positron Emission Tomography (PET)	1	0	2	318	0	Cyber knife	0	0	0
Computerized Axial Tomography (CAT)	4	0	6,746	21,608	0				
Magnetic Resonance Imaging	5	0	1,494	8,183	0				